

Analyst Factsheet

Full-year and Q4 2017

March 8, 2018

AkzoNobel



AkzoNobel delivers improved results for 2017 Reconfirms financial guidance for 2020

Creating two focused high performing businesses:

- ↗ Separation of Specialty Chemicals on track for April 2018; Specialty Chemicals business now reported as discontinued operations
- ↗ Revenue, including discontinued operations, up 3% (up 4% excluding currency impact) at €14,575 million
- ↗ EBIT, including discontinued operations, up 2% to €1,525 million
- ↗ Operating Income, including discontinued operations, at €1,396 million includes identified items of €129 million mainly related to the transformation of AkzoNobel, including the separation of Specialty Chemicals
- ↗ Total dividend proposed for 2017 up 52% to €2.50 per share (2016: €1.65)

A focused Paints and Coatings company (continuing operations):

Full-year 2017:

- ↗ Revenue up 2% (up 4% excluding currency impact) and in both business areas, mainly due to volume growth and acquisitions, partly offset by unfavorable currencies and price/mix
- ↗ EBIT at €905 million (2016: €928 million), resulting from higher raw material costs, partly offset by increased selling prices, continuous improvement and cost control
- ↗ Adjusted EPS from continuing operations at €2.56 (2016: €2.38)

Q4 2017:

- ↗ Revenue flat (up 5% excluding currency impact), mainly due to volume growth and acquisitions, offset by unfavorable currencies and price/mix
- ↗ EBIT at €178 million (2016: €149 million) with increased selling prices, continuous improvement and cost control, partly offset by higher raw material costs
- ↗ Adjusted EPS from continuing operations at €0.57 (2016: €0.48)

Outlook

Headwinds experienced during 2017, including higher raw material costs and adverse effects from foreign currencies, are projected to continue in 2018, especially during the start of the year.

We anticipate ongoing positive developments for Decorative Paints in all regions, particularly Asia. Trends for Performance Coatings are expected to be positive for most segments and regions, while still challenging for Marine and Protective Coatings.

We continue to implement various measures to mitigate current market challenges, including increased selling prices and cost discipline. Our "Winning Together – 15 by 20" strategy will create a focused Paints and Coatings company and deliver our 2020 guidance.

2020¹
guidance
ROS 15%
ROI >25%

¹) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Financial highlights: Full-year and Q4 2017

Decorative Paints

Full-year revenue was up 2% (up 4% excluding currency impact), driven by strong volume growth, partly offset by adverse currencies and price/mix. Volumes were up 7% overall, with growth in all regions. Full-year EBIT was 2% lower, due to adverse currency effects and steep increases in raw material costs, partly offset by continuous improvement and cost control.

Q4 revenue was up 3% (up 7% excluding currency impact). Strong volume growth was partly offset by currency and price/mix effects. Positive developments continued, especially in China, and growth improved in Latin America as well as other regions. Q4 EBIT was up 14%, driven by volume growth, increased selling prices, continuous improvement and cost discipline, partly offset by adverse currencies and higher raw material costs.

Performance Coatings

Full-year revenue was up 2% (up 4% excluding currency impact), mainly due to the acquired Industrial Coatings business, partly offset by adverse currencies. Volume growth in most segments and regions was more than offset by adverse conditions in the marine, and oil and gas industries. Full-year EBIT was impacted by higher raw material costs and lower volumes, mainly due to adverse conditions in the marine, and oil and gas industries, partly compensated by continuous improvement and cost control.

Q4 revenue was 2% lower (up 3% excluding currencies). Volumes increased for Industrial and Powder Coatings as well as Automotive and Specialty Coatings. Adverse conditions persisted in the marine, and oil and gas industries. Q4 EBIT was impacted by adverse currencies, higher raw material costs and lower volumes, partly compensated by continuous improvement and cost control.

Specialty Chemicals (reported as discontinued operations)

Full-year revenue was up 4% (up 5% excluding currency impact), due to positive volume developments and price/mix effects, partly offset by adverse currencies. Volumes were up in all business units and regions. Full-year EBIT was up 10%, with higher volumes and cost control more than compensating for inflation and raw material price increases not yet fully passed on in the first part of the year.

Q4 revenue was up 5% (up 9% excluding currency impact) due to positive volume developments and price/mix effects, partly offset by adverse currencies. Volumes were up in all regions and business units. Positive price/mix reflects the successful pass through of raw material inflation. Q4 EBIT was up 40%, with favorable volumes, price/mix developments and cost control improving the result significantly versus last year.

Raw materials

Raw material prices in 2017 were higher compared with the previous year.

We are taking appropriate measures to deal with higher raw material prices in an inflationary environment. These measures are expected to take several quarters before the necessary mitigating impact is fully realized.

Identified items

Paints and Coatings full-year operating income was negatively impacted by identified items totaling €80 million, mainly related to the transformation of the Paints and Coatings organization and legal items. An amount of €39 million was recognized as identified items in Q4.

Discontinued operations full-year operating income was negatively impacted by identified items totaling €49 million, mainly related to the costs of the separation of Specialty Chemicals and legal items.

Cash flows and net debt

Operating activities in 2017 related to continuing and discontinued operations resulted in cash inflows of €969 million (2016: €1,291). Profit for the period was impacted by identified items related to the new strategy to create a high performing Paints and Coatings business and related to the separation of the Specialty Chemicals business.

At December 31, 2017 net debt was €1,951 million versus €1,252 million at year-end 2016. The increase is mainly due to the €1 billion special cash dividend and the share repurchase program.

Financial summary

€ million	2016		2017				
	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue (incl. discontinued operations)	3,456	14,197	3,661	3,785	3,624	3,505	14,575
Paints and Coatings	2,291	9,434	2,377	2,533	2,419	2,283	9,612
Decorative Paints	898	3,835	922	1,046	1,007	923	3,898
Performance Coatings	1,398	5,665	1,471	1,504	1,428	1,372	5,775
Other activities/eliminations	(5)	(66)	(16)	(17)	(16)	(12)	(61)
Discontinued operations	1,165	4,763	1,284	1,252	1,205	1,222	4,963
Specialty Chemicals	1,169	4,783	1,289	1,259	1,209	1,228	4,985
Other activities/eliminations	(4)	(20)	(5)	(7)	(4)	(6)	(22)
EBIT (incl. discontinued operations)	235	1,502	376	461	383	305	1,525
Paints and Coatings	149	928	208	294	225	178	905
Decorative Paints	51	357	77	121	95	58	351
Performance Coatings	152	759	187	202	147	133	669
Other activities/eliminations	(54)	(188)	(56)	(29)	(17)	(13)	(115)
Discontinued operations	86	574	168	168	158	126	620
Specialty Chemicals	118	629	176	179	169	165	689
Other activities/eliminations	(32)	(55)	(8)	(11)	(11)	(39)	(69)
Identified items (incl. discontinued operations)	(18)	17	-	(20)	(45)	(64)	(129)
Paints and Coatings	(17)	(5)	-	(31)	(10)	(39)	(80)
Decorative Paints	-	9	-	-	-	(17)	(17)
Performance Coatings	(17)	(24)	-	-	-	(1)	(1)
Other activities/eliminations	-	10	-	(31)	(10)	(21)	(62)
Discontinued operations	(1)	22	-	10	(35)	(24)	(49)
Specialty Chemicals	-	-	-	-	-	-	-
Other activities/eliminations	(1)	22	-	10	(35)	(24)	(49)
Operating income (incl. discontinued operations)	217	1,519	376	441	338	241	1,396
Paints and Coatings	132	923	208	263	215	139	825
Decorative Paints	51	366	77	121	95	41	334
Performance Coatings	135	735	187	202	147	132	668
Other activities/eliminations	(54)	(178)	(56)	(60)	(27)	(34)	(177)
Discontinued operations	85	596	168	178	123	102	571
Specialty Chemicals	118	629	176	179	169	165	689
Other activities/eliminations	(33)	(33)	(8)	(1)	(46)	(63)	(118)

Revenue development

in % versus 2016	Volume	Price/mix	Acquisitions/Divestments	Exchange rates	Total
Decorative Paints	7	(3)	-	(2)	2
Performance Coatings	(1)	-	5	(2)	2
AkzoNobel Paints and Coatings	2	(1)	3	(2)	2
Specialty Chemicals	3	2	-	(1)	4

Safe Harbor Statement

This document does not constitute or form a part of any offer, or any invitation or other solicitation of any offer, to buy or subscribe for any securities in the United States or any other jurisdiction. Some statements in this document are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. This document also contains statements, which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website www.akzonobel.com.